



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

the little bank

Person to be contacted regarding this report:	Doyle M. Thigpen
CPP Funds Received:	\$7,500,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	12/23/2008
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	34934
City:	Kinston
State:	North Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	Immediately prior to receiving the CPP investment, the Bank's total risk based capital ratio was approaching the 10% required minimum for well capitalized banks. The additional capital has allowed the Bank to continue to aggressively seek high quality loan opportunities.
---	---

<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Bank has increased its investment securities portfolio in a modest amount, only about \$10 million, since the receipt of the CPP preferred stock. This is more directly related to the reinvestment of funds received from loan repayments and not a leverage strategy related to CPP capital.
<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	

<input checked="" type="checkbox"/>	Reduce borrowings	<p>The cash received from the CPP preferred stock is not segregated however some amount was used to fund Bank assets that were previously funded by borrowings. The Bank was successful in growing core deposits during 2009 and that was the primary reason for the reduction in borrowings.</p>
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	<p>This is the most significant utilization of the Bank's CPP preferred stock. Although the capital remains unleveraged today, the Bank is committed to making credit available to current and prospective customers, and desires to grow its loan portfolio with high quality loans at every opportunity.</p>

What actions were you able to avoid because of the capital infusion of CPP funds?

The nation entered a period of financial instability during 2008. During the third quarter of 2008 the little bank's Board of Directors and Management committed to add capital to the Bank through a planned subordinated debt offering. That plan was given regulatory approval in November 2008. The proposed subordinated bank notes were priced at a variable rate of prime (as published in the Wall Street Journal) plus 4%. Investors in the subordinated bank notes would have also received warrants for common stock. Comparatively, the CPP capital was better priced. In summary, the capital infusion of CPP funds made the more expensive subordinated debt capital transaction unnecessary. The dilutive nature of the warrants associated with the subordinated debt was also avoided.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The infusion of capital from the CPP funds has enabled the Bank to continue to serve its loan and deposit customers in the same confident manner as in prior years. With the additional capital there is no need to shrink the balance sheet of the Bank in order to continue the high level of capital ratios that the Bank has always maintained. Bank management and staff are enthusiastic with respect to making high quality loans within its market area.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

A large, empty rectangular box with a thin black border, intended for a response. The box is currently blank, with no text or markings inside.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.